1. Introduction to the SNF PPS Pricer

1.1 Background on SNF PPS

The Balanced Budget Act (BBA) of 1997 (Public Law 105-33) mandated the implementation of a per diem prospective payment system (PPS) for skilled nursing facilities (SNFs), covering all costs (routine, ancillary, and capital) of covered SNF services furnished to beneficiaries under Part A of the Medicare program, effective for cost reporting periods beginning on or after July 1, 1998.

SNF PPS payment adjustments, as defined in §1888 of the Social Security Act, are calculated in a Pricer software module that is executed in the claims processing system of Fiscal Intermediaries (FIs). This manual assumes users of the PC Pricer have a basic familiarity with SNF PPS payment policies.

1.2 Purpose and Features of the SNF PPS Pricer

The SNF PPS Pricer is a tool to assist SNFs and other interested parties in determining the Medicare payment for an inpatient SNF claim. SNFs may wish to use this software to:
- predict payment for service based off the Resource Utilization Group (RUGs) codes obtained from the "Grouper". Note: The Grouper translates the data in the Long Term Care (LTC) Resident Assessment Instrument (RAI) into a case-mix group and assigns the correct RUG code,
- calculate the payment they will receive for a particular claim, in order to accurately post accounts receivable, or
- to validate that they have received correct payment for a claim upon receipt of their Medicare remittance advice.

An advantage of the PC Pricer for these functions is that it contains and applies precisely the same logic that FIs use in their claims system. As a result, SNFs can be sure that the payment calculations reflect current Medicare payment policies exactly. It should be noted, though, that certain payment adjustments that may occur in the FI system are not accounted for in the PC Pricer, such as calculation of payments if Medicare is the secondary payer.

The PC Pricer calculates payment for claims, requiring the key entry of only the limited information required to arrive at an accurate payment. Once this information is entered, the software immediately displays a screen that shows the total payment for the claim and detailed components of the payment including the wage index applied. The software also creates a printed report of this information if hard copy documentation of a payment calculation is desired.

1.3 History of CMS Pricers

SNF PPS is one in a series of Medicare prospective payment systems required by law. The first PPS, for inpatient hospital services, was implemented in 1983. Soon thereafter CMS (then HCFA) recognized the need of providers to understand and validate their PPS payments and created the first PC Pricer. The Inpatient PPS Pricer has been updated annually since the 1980s and is the model upon which subsequent PC Pricers are based. The SNF Pricer was the second PC Pricer. The SNF Pricer was developed in 1999, following the implementation of SNF PPS. In addition to the above, PC Pricers are now available for Home Health, Inpatient Rehabilitation Facility (IRF) and Long Term Care Hospital (LTCH) PPSs.

1.4 Using this manual

The remainder of this manual is divided into three sections, corresponding to three basic questions about how to use this software. Instructions in Chapter 2, on installation, must be read and followed first and in sequence in order to avoid installation errors that will prevent the PC Pricer from functioning properly. Once the software is installed, most subsections of Chapters 3 and 4 are freestanding instructions in how to perform a specific task. Chapter 3 contains a subsection that provides definitions of the fields of the screens used to complete the tasks it describes. When first using the manual it may be helpful to familiarize yourself with these field definitions first, and then use the definition sections as a reference as you learn different tasks. Screen images that display the result of the instructions in each subsection are also provided. Copying these sample screens can provide a "shortcut" method to hands-on learning of the steps required to perform a task.